

Message Text

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ACTION PM-04

INFO OCT-01 ARA-06 ISO-00 CIAE-00 INR-07 NSAE-00 IGA-02

OMB-01 TRSE-00 AID-05 L-03 SS-15 SP-02 NSC-05 H-02

MC-02 /055 W

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R 241405Z DEC 75

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 3098

INFO SECDEF WASHDC

USCINCSO QUARRY HTS

CJCS WASHDC

DA WASHDC

CNO WASHDC

CSAF WASHDC

RULYSDE CHUSDEL JBUSMC RIO DE JANEIRO

C O N F I D E N T I A L BRASILIA 10957

SECDEF FOR ISA/IA/DSAA

E.O.11652: GDS

TAGS: MASS, BR

SUBJECT: FY 76 AND FY77 MILITARY SECURITY ASSISTANCE PROGRAMS

REF: BRASILIA 10051

SUMMARY: SERIES OF RECENT BRAZILIAN MEASURES TO FURTHER CURB IMPORTS HAVE BEEN ACCOMPANIED BY GREATER AUSTERITY ON MILITARY SIDE. SINCE THESE MEASURES POINT TOWARD FURTHER DECLINE IN BRAZILIAN USE OF FMS CREDIT, WE NOW MAKING EFFORT TO DETERMINE MORE REALISTIC FIGURE FOR BRABABLE BRAZILIAN USE OF FMSCR IN FY 76 AND FY 77. PRELIMINARY INFORMAL ESTIMATES -- WHICH WILL BE FOLLOWED UP BY BRAZILIAN MILITARY'S FORMAL ESTIMATES OF NEEDS -- PLACE FY 76 REQUIREMENTS AT ABOUT 51 MILLION DOLLARS AND FY 77 REQUIREMENTS AT 25-30 MILLION. END SUMMARY.

1. AS AMBASSADOR PROMISED IN INFORMAL CONVERSATIONS IN
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DEPARTMENT DURING CHIEF OF MISSIONS MEETING IN NOVEMBER, WE

ARE MAKING AN EFFORT TO DETERMINE A REALISTIC FIGURE FOR BRAZILIAN UTILIZATION OF FMSCR IN FY 76 OR FY 77. THIS EFFORT PARTICULARLY RELEVANT IN LIGHT OF GROWING CONSTRAINTS ON BRAZIL'S EXTERNAL MILITARY PROCUREMENT CREATED BY ACUTE BALANCE OF PAYMENTS DIFFICULTIES.

2. IN RECENT MONTHS, BRAZIL HAS TAKEN A NUMBER OF MEASURES THAT INDICATE A FUTURE DECLINE IN THE USE OF FMS CREDITS. IN OCTOBER PRESIDENT GEISEL IN AN ADDRESS TO THE NATION OUTLINED ACTIONS DESIGNED TO COPE WITH SURGING OIL COSTS AND BRAZIL'S BALANCE OF PAYMENT PROBLEM. SINCE THEN THERE HAVE BEEN NEW AND TOUGHER MEASURES AND MANY IMPLEMENTING DIRECTIVES, ALL OF WHICH CLEARLY POINT TO BRAZIL'S VIGOROUS EFFORTS INTENDED TO CORRECT HER SERIOUS DEFICIT IN BALANCE OF PAYMENTS. MEASURES TAKEN IN OCTOBER INCLUDE A TARIFF HIKE ON SUPERFLUOUS PRODUCTS, AND A 30 PERCENT DUTY INCREASE ON INTERMEDIATE GOODS. STIMULATED BY DISAPPOINTING OCTOBER TRADE FIGURES, FURTHER RESTRICTIVE MEASURES ANNOUNCED IN EARLY DECEMBER FEATURED AN EXTENSION OF THE PRIOR DEPOSIT FOR IMPORTS FROM 180 TO 360 DAYS WHILE ASKING IT APPLICABLE TO A BROADER CATEGORY IF IMPORTS (BRASILIA 10428). ALSO ORDERED WERE A 25 PERCENT CUT IN PUBLIC SECTOR IMPORTS IN 1976 AND A 20 PERCENT REDUCTION IN FUEL CONSUMPTION BY GOVERNMENT MINISTRIES.

3. IN REFTEL WE NOTED GROWING INDICATIONS OF RESTRAINTS ON BRAZILIAN MILITARY PURCHASES ABROAD AS PART OF OVERALL GOB EFFORT TO REDUCE OUTLAYS OF FOREIGN EXCHANGE, AND WE FORESAW THESE RESTRAINTS WOULD CONTINUE FOR THE IMMEDIATELY FORESEEABLE FUTURE WITH CORRESPONDING EFFECTS ON DEFENSE SALES, FMS CREDIT USE, AND MAP TRAINING PROGRAM. SEVERAL OF THE AUSTEITY ACTIONS HAVE ALREADY AFFECTED THE MILITARY: FOR EXAMPLE, WE JUST LEARNED THAT THE ARMY'S STAFF COLLEGE VISIT IN MAY 1976 HAS BEEN CANCELLED BY THE PRESIDENT, AND THE NAVY'S PERSONNEL EXCHANGE PROGRAM MAY BE IN JEOPARDY.

4. TAKING INTO ACCOUNT THE CURRENT CONGRESSIONAL CONCERN OVER SECURITY ASSISTANCE TO BRAZIL BASED ON HUMAN RIGHTS ISSUE, AND IN ORDER THAT YOU HAVE THE LATEST AVAILABLE INFORMATION IN YOUR DISCUSSIONS WITH CONGRESS, WE HAVE TAKEN TWO ACTIONS TO DETERMINE BRAZIL'S FMS REQUIREMENTS FOR FY 76/77:

A. FIRST, WE INFORMALLY ASKED THE THREE SERVICES FOR THEIR
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ESTIMATED REQUIREMENTS FOR THE TWO FISCAL YEARS.

B. SECOND, CHAIRMAN USDEL JBUSMC HAS FORMALLY REQUESTED THIS INFORMATION FROM THE BRAZILIAN MILITARY SERVICES.

5. THIS MESSAGE INDICATES THE RESPONSE FROM THE INFORMAL INQUIRY. WE WILL FORWARD THE RESULT OF THE FORMAL INQUIRY WHEN IT BECOMES AVAILABLE.

6. OF THE 60 MILLION FY 76 FMS CREDIT PROPOSED, FOLLOWING AMOUNTS ARE ESTIMATED TO BE REQUIRED ON THE BASIS OF THE RESPONSE TO OUR INFORMAL INQUIRY.

ARMY 0
NAVY 19 MILLION
AIR FORCE 32 MILLION
TOTAL 51 MILLION

THIS IS 9 MILLION DOLLARS LESS THAN ORIGINALLY REQUESTED.

7. FOR FY 77 THE PRELIMINARY PLANNING FIGURES FOR BRAZIL, DEVELOPED IN COORDINATION WITH THE BRAZILIAN MILITARY, TOTALLED 100 MILLION DOLLARS, THOUGH INFORMATION AVAILABLE HERE INDICATES A LOWER FIGURE IS BEING RECOMMENDED TO CONGRESS. RESPONSE TO CURRENT INFORMAL QUERY ON FY 77 FMS CREDIT IS AS FOLLOWS:

ARMY 0
NAVY 15 - 20 MILLION
AIR FORCE 10 MILLION
TOTAL 25 - 30 MILLION

WE HAVE NO FIRM BASIS FOR EVALUATING THE ACCURACY OF THESE INFORMAL ESTIMATES BUT THE TREND IS EVIDENT. AS MORE INFORMATION IS MADE AVAILABLE, YOU WILL BE INFORMED.

8. IT SHOULD BE NOTED THAT THE MODERNIZATION PROGRAMS OF THE BRAZILIAN ARMED FORCES AND THE MILITARY EQUIPMENT REQUIREMENTS WHICH FORMED THE BASIS FOR ORIGINALLY HIGHER PLANNING LEVELS OF FMS FOR BRAZIL ARE STILL CONSIDERED TO BE VALID BRAZILIAN OBJECTIVES. IT IS BELIEVED THAT ACQUISITION WILL SIMPLY BE DELAYED PENDING A MORE FAVORABLE ECONOMIC CLIMATE.

9. ON THE BASIS OF ONLY THE ABOVE INFORMAL INFORMATION, IT IS PREMATURE TO RECOMMEND A CHANGE FROM OUR ORIGINAL 100 MILLION DOLLAR REQUIREMENT DOWN TO 30 MILLION. IN VIEW OF THE MOUNTING EVIDENCE, HOWEVER, IT SEEMS INEVITABLE THE ULTIMATE REQUEST WILL
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BE SOMEWHERE IN BETWEEN. IF THE WASHINGTON AGENCIES ARE PRESSED FOR REFINED FIGURES AT THIS TIME, WE RECOMMEND USING 30 MILLION PLUS A SAFETY FACTOR OF 10-20 MILLION, DEPENDING ON WHAT EXPERIENCE FACTORS YOU HAVE.

10. GENERAL SPRAGINS, CHAIRMAN, USDEL JBUSMC, HAS DISCUSSED THIS ENTIRE SUBJECT IN DEPTH WITH ADMIRAL JANUZZI, CHAIRMAN, BRAZILIAN DELEGATION. THE ADMIRAL IS AWARE THAT BRAZIL'S CREDIBILITY AS A REQUESTOR OF FMS CREDITS STANDS TO SUFFER IF UTILIZATION FALLS VERY SIGNIFICANTLY BELOW POSSIBLE AVAILABILITIES, AND THAT THEREFORE WE NEED FIRM ESTIMATE OF AMOUNTS BRAZIL REALLY CAN USE. HE IS CONTACTING THE MILITARY SERVICES FOR A RESPONSE TO FORMAL INQUIRY AND IS HOPING FOR A REPLY BY JANUARY 15, 1976.
CRIMMINS

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